August 30th, 2011

To: Members of the Canadian Securities Administrators (the CSA)
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Government of Yukon
Superintendent of Securities, Department of Justice, Government of the Northwest Territories
Superintendent of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

Via email to:

c/o John Stevenson, Secretary,
Ontario Securities Commission,
20 Queen Street West,
Toronto, Ontario M5H 3S8
jstevenson@osc.gov.on.ca

c/o Anne-Marie Beaudoin, Corporate Secretary,
Autorité des marchés financiers,
800, square Victoria, 22 étage,
Montréal, Québec H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Re: Proposed National Instrument 41-103 Supplementary Disclosure Requirements for Securitized Products, related proposed rules and rule amendments - Proposed Securitized Products Rules

Dear CSA:

SecureCare Investments Inc. appreciates the opportunity to submit comments to the CSA regarding the Proposed Securitized Products Rules.

SecureCare Investments Inc. is based in Pickering, Ontario and is an exempt market issuer of an asset backed security (SecureCare Bond Offering). As a participant at the grass roots level of structuring and distribution of exempt market securitized products, we witness the direct benefits that the traditional Canadian approach to asset securitization has for small to medium enterprises in the cash flow and finance business and the investors that subscribe to related offerings. The SME's that use or can use asset backed securitization include a variety of domestic trade and consumer finance companies. These enterprises, operating with books of less than $100 million, provide valuable services, supporting a significant amount of economic activity not serviced by the banks. Investors in offerings involving these enterprises benefit through participation in cash flow streams that are independent of the trading markets, fulfill the need for income and offer higher rates of return with measurable and manageable risk.

If implemented, Proposed Securitized Products Rules, especially the new Securitized Product Exemption allowing only "Permitted Investors" from benefitting from this market, would severely limit the creation and distribution of structured finance exempt market or short form prospectus based offerings. In our opinion, this is akin to "throwing the baby out with the bath water" and would do serious harm to finance industry SME's, the businesses they support and ultimately the Canadian investor.

While the exempt markets make up a relatively small part of the overall financial marketplace, in the absence of organized, non-bank financing conduits, this segment is growing rapidly. Especially with the implementation of NI 31-103 and NI 45-106 creating a legitimatized exempt market in Canada, many finance industry SME's are looking at sharing asset cash flows as a way of generating required operating capital. We estimate that left unimpeded, this segment of the market will grow substantially in the next few years.

Simple structured finance techniques practiced by this level of the market offer many benefits to SME's and investors alike. Unlike the complicated, derivative spawning CDO's that led to the breakdown of the ABCP market, normal structured finance practices used by SME's have the following advantages:

1. As debentures or bonds, they are held exclusively by the investor, have no secondary trading market and, therefore, cannot create derivatives or trading bubbles.
2. The originator naturally has "skin in the game", using company margins to offset first loss. Originators in the exempt market do not merely sell assets to a pool, instead they "participate" in cash flows alongside investors, granting the full collateral value of the asset to the benefit of the investor and tending to pay the investors first. Failure to do this would rapidly destroy investor confidence and the originator's ability to attract or retain capital.
3. At this level of the market, originator internal liquidity directly impacts the risk assessment of the offering. Insufficient originator liquidity may prevent acceptance of the offering by the market.
4. The traditional securitization process involves a "true sale" of assets from the originator to the investor, rendering the assets originator credit and bankruptcy remote to the investor. This aspect of securitization provides investors with significant protection.
5. With the provisions of NI 31-103 and NI 45-106, issuers and distributors of exempt market securitization offerings must exercise a high level of due diligence and product/investor suitability assessment, acting as active watchdogs for the protection of the marketplace. While this form of self regulation has failed to prevent problems in organized trading markets in the past, its implementation in the exempt markets has added a strong requirement for disclosure and transparency to the safety and benefit of investors. As an example, our offering, SecureCare Bonds, has had to pass two independent due diligence reviews, undertaken by Chartered Financial Analyst (CFA) and Chartered Accountant (CA) designated experts, before being accepted for distribution by the majority of exempt market dealers.
6. Due to the simple structures of exempt market securitizations, investment returns are either fixed or flow through. In either case, the returns calculations are elementary and would not benefit from or require a computer waterfall payment program to be understood or anticipated. The nature and calculation of the investment return cash flow is clearly set-out on the offering and support documents.

7. Current NI 45-106 requirements in most jurisdictions require the offering memorandum to be certified by the issuer against misrepresentation. This is further backed by separate contractual covenants from the originator. There is no question of primary market civil liability if material misrepresentation is found. Because there is no secondary market exposure to securities in the exempt market, the question of secondary market civil liability is mute.
8. Conflict of interest in all aspects of the exempt marketplace has become highly scrutinized since this marketplace has been legitimized by the CSA. Almost all examples of exempt market structured finance offerings include several parties (originator, SPE, issuer, manager, trustee, custodian) often existing at arm's length to one another. It is our experience that, as they become more educated, exempt market investors and EMD registrant distributors are sensitive to issues surrounding conflict of interest. Offerings that do not adhere to reasonable separations of duties and interest will find it increasingly difficult to enter or stay in the market.

Because of the nature of exempt market securitizations, where the asset basket must be sufficiently defined and described to attract investors, we believe that is appropriate to offer these securities on a prospectus-exempt basis. Ample disclosure, certification and, in certain jurisdictions, warnings are provided by the current 45-106F2 form. Insistence on full prospectus offerings would be a significant hindrance to the free flow of capital and cause significant, and in our opinion, unnecessary increases in cost and time requirements for simple offerings.

As we listed above, there are many features and safeguards within exempt market structured finance offerings that make them potentially more suitable, rather than less, for ordinary Canadian investors. These features may be more important than ever given recent uncertainties in the equities/mutual funds markets. It could be argued that increasingly, Canadian investors desire control of their own investment portfolios, utilizing simple cash flow producing offerings supported by tangible assets. This trend may be evidenced by the growth of the REIT and MIC markets. For these reasons, it seems inappropriate to consider restricting access to exempt market structured finance offerings to "highly sophisticated" investors. It is our contention that, in certain jurisdictions, the opposite action should be considered.

Regarding the Proposed Form 45-106F8 form, we welcome a plain language, easy to understand, investor centric reporting system of the type described.

Thank you again for the opportunity to provide comments regarding the Proposed Securitized Products Rules. We are hoping that the CSA will adopt a common sense "made in Canada" approach to these regulations, especially as they affect the fragile but burgeoning Canadian exempt structured finance securities market.

Yours very truly,

Peter Johannes, President
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